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OFFICE OF PEOPLE'S COUNSEL**

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<b>BILL NO.:</b>	<b>Senate Bill 67 MD SEIF – Small Rural Electric Cooperative -Prohibition</b>
<b>COMMITTEE:</b>	<b>Finance</b>
<b>HEARING DATE:</b>	<b>February 8, 2011</b>
<b>SPONSOR:</b>	<b>Senators Edwards and Mathias</b>
<b>POSITION:</b>	<b>Informational</b>

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Senate Bill 67 prohibits funds in a certain account in the Maryland Strategic Energy Investment Fund from being used to offset electricity rates of residential customers of a small rural electric cooperative. The Office of People's Counsel offers this background information and a suggestion for an alternative approach in lieu of an outright prohibition on rate credits.

The Strategic Energy Investment Fund was established in 2008 to implement the Strategic Energy Investment Program to decrease energy demand and increase investments in renewable energy. The proceeds from the sale of carbon dioxide allowances under the Regional Greenhouse Gas Initiative (RGGI) are the primary source of revenue credited to the Fund. The SEIF law specifically requires that 23% of the Fund proceeds are used to provide rate relief to all residential electricity ratepayers. The ratepayers are customer of the four major

electric companies, the municipal electric companies and electric cooperatives, including rural cooperatives.

Since 2008, the proceeds from the sale of allowances have been deposited in a fund administered by the Maryland Energy Administration (MEA), and the rate relief monies are distributed to each of the electric companies on a quarterly basis. Based upon the proceeds available, the Public Service Commission (PSC) sets the quarterly rate credit for all customers (currently \$.38 per month). MEA and the electric companies submit periodic reports to the Public Service Commission (PSC) documenting the number of residential customers, and the distribution of the rate relief monies in PSC Case No. 9166.<sup>1</sup>

This process has worked well for all companies (and ratepayers) except in the case of the two small rural cooperatives, A&N Electric Cooperative (A&N) and Somerset Rural Electric Cooperative (Somerset). “Small rural electric cooperatives” are defined by PUC law as electric companies that serve only customers who exclusively own and control the company, operate on a not-for-profit basis and supply electricity to less than 1,000 meters in the State. A&N is located on Smith Island in Somerset County, and serves approximately 284 residential customers, while Somerset, located in the northwest corner of Garrett County, has about 758 residential customers.

The problem is in some ways quite simple: Both A&N and Somerset have not requested the rate relief funds from MEA for their customers because the cost

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<sup>1</sup> The Administration has proposed to eliminate temporarily the allocation of SEIF monies to rate relief. See Proposed Budget Reconciliation and Financing Act of 2011 (SB 87).

of changing the billing systems would far exceed the benefit to their ratepayers from the rate credit. In the case of A&N, the annual cost per residential member is approximately \$214, while the total rate relief to date is \$3927. For Somerset, the annual cost has been estimated to be \$102 per residential member, while the total rate relief is \$11,312. As of this date, MEA continues to hold these funds in escrow.

Senate Bill 67 would address this practical problem by creating an exception for small rural electric cooperatives from the rate relief distribution requirement of SEIF. Ordinarily, customers of utility companies should be treated equitably under state-wide programs. However, OPC agrees that it makes no sense for these rural cooperatives to spend multiple times the amount of the per customer credit in order to satisfy this requirement of the current law.

Recommendation: One option to consider in lieu of an outright prohibition is to permit the rural cooperatives to place the rate relief monies allocated to them into a fund to provide bill assistance for payment troubled members. This fund could be administered by the rural cooperative itself or a community action agency.